

EHT

EMPLOYER HEALTH TAX

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Guide for Employers

This information guide describes the main features of the Employer Health Tax (EHT). It is provided to Ontario employers, agents and members of the public to help them understand their rights and responsibilities under the Employer Health Tax Act. For specific information please refer to the Employer Health Tax Act, RSO, 1990, C.E.11.

To obtain assistance regarding your rights and responsibilities under this act, please call or write to your Regional Office of the Employer Health Tax Branch. **(The addresses and phone numbers of these offices are listed on pages 17 and 18 of this guide).**

Note: Copies of the Employer Health Tax Act may be purchased directly from:

Publications Ontario
880 Bay Street
Toronto, Ontario
M7A 1N8

or ordered by calling (416) 326-5300 in Metro Toronto, or toll-free 1-800-668-9938 from all other areas of Ontario.

Pour obtenir une copie de cette publication en français, veuillez appeler le ministère des Finances, au numéro sans frais suivant 1-800-265-1193 ou écrire au ministère des Finances, Direction d'impôt-santé des employeurs, 33 rue King ouest, Oshawa (Ontario), L1H 8H5.

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INTRODUCTION

The Employer Health Tax (EHT) is paid by all employers who have a permanent establishment in Ontario, and who:

- have employees who report for work at the Ontario permanent establishment, or
- have employees who do not report for work at a permanent establishment, but are paid from the Ontario permanent establishment.

The EHT is calculated on:

- total Ontario remuneration paid to employees.

Note:

Effective January 1, 1993 self-employed individuals who earn Ontario self-employment net income must also pay the tax. The first \$40,000 of the individual's net income for a year is not taxable. For further information on this subject, refer to the "Self-employed Individuals" section of this guide, (page 16), or contact one of the Regional Offices (See pages 17 and 18) to obtain an EHT information package for the Self-employed.

HOW TO REGISTER

An employer can register by completing a “Registration Request” form, available from the Ministry of Finance, and returning the form to the closest EHT Regional Office. Once registered, the employer receives an EHT account number. Employers may also register by calling one of the Regional Offices to obtain an EHT account number. Employers who have a Revenue Canada, Taxation Employer Number, should be prepared to provide their number when registering.

One EHT account number is assigned per employer, except if the employer chooses to have more than one account number set up for different payroll centres and/or payroll types. These multiple account employers are required to file separate instalments and Annual Returns for each account. (See “Note for Multiple Accounts” on page 11).

DEFINITION OF TERMS

PERMANENT ESTABLISHMENT (Workplace)

A “permanent establishment in Ontario” includes:

- any workplace in Ontario such as an agency, office, branch, factory, farm, gas well, mine, oil well, timberland, warehouse or workshop
- the principal place where business is done in Ontario
- the use of “substantial” machinery or equipment in Ontario (please call your nearest EHT Regional office for an explanation)
- a business carried on through an employee or an agent who has either general authority to contract for the employer or fills orders from the stock of the employer’s merchandise located in Ontario
- the head office as stated in the corporation’s charter or by-laws, and
- a place of business of a corporation as identified for Ontario Corporations Tax purposes.

Note:

A permanent establishment is referred to as a workplace in this guide.

EMPLOYER-EMPLOYEE RELATIONSHIP

Only a payroll resulting from an employer-employee relationship is subject to the EHT.

An “**employer**” is generally defined as:

- a person or a government
- municipalities, universities, school boards, hospitals, non-profit organizations, and charities, or
- an incorporated company (legally considered to be a person).

An “**employee**” is defined as:

- an individual employed by and in the service of an employer, or
- an individual who holds office from an employer and receives payment for carrying out the duties of the office.

For EHT purposes, the Ministry of Finance follows Revenue Canada, Taxation rulings when referring to the employer-employee relationship.

REMUNERATION (Payroll)

“Remuneration” includes all payments, benefits and allowances described under sections 5, 6 and 7 of the Income Tax Act (Canada), which are considered employment income of the employee.

“**Total Ontario Remuneration**” means payroll paid:

- to or on behalf of all employees who report for work at a workplace of the employer in Ontario, and

- to or on behalf of all employees who do not report for work at a workplace of the employer but whose remuneration is paid from or through a workplace of the employer in Ontario.

Remuneration generally includes:

- gross salaries and wages
- bonuses, commissions, and vacation pay
- taxable allowances and benefits
- directors' fees

Note:

Remuneration is referred to as payroll in this guide except where the form titles are used.

EHT is not owed on:

- the payrolls of embassies and consulates
- the payrolls of native people doing business on a reserve or payrolls relating to native people working for a corporation on a reserve, and
- a pension, annuity or superannuation paid by an employer to a retired employee.

TAX RATES

The tax rates for EHT are shown in the following table.

Total Annual Ontario Remuneration			Rate
Up to \$200,000.00			0.98 %
\$200,000.01	to	\$230,000.00	1.101 %
\$230,000.01	to	\$260,000.00	1.223 %
\$260,000.01	to	\$290,000.00	1.344 %
\$290,000.01	to	\$320,000.00	1.465 %
\$320,000.01	to	\$350,000.00	1.586 %
\$350,000.01	to	\$380,000.00	1.708 %
\$380,000.01	to	\$400,000.00	1.829 %
Over \$400,000.00			1.95 %

SUMMARY OF FILING REQUIREMENTS

EHT is an annual tax paid, in some instances, in instalments followed by the filing of an Annual Return. The filing requirements, i.e. annually, quarterly, monthly and once-a-year, are based on the size of the employer's payroll, as well as the frequency of payroll payments. These requirements are outlined in the table below.

Employer Payroll Category	Required Instalments	Required Annual or Special Returns
Annually - Annual payroll up to and including \$200,000. (Effective May, 1992)	None	An Annual Return is due by March 15th of the following calendar year.
Quarterly - Annual payroll of \$200,000.01 to \$400,000.	Instalments are due on the 15th of April, July, October and January.	An Annual Return is due by March 15th following the final instalment.
Monthly - Annual payroll of over \$400,000.	Instalments are due on the 15th of every month.	An Annual Return is due by March 15th following the final instalment.
Once-a-year - A payment of more than \$200,000 that occurs in one month of the year, where no payments are made at any other time in the year. (Effective May, 1992)	None	A Special Return is due by the 15th day of the month that follows the month in which the once-a-year payment(s) was made.

Employers who prefer to pay their instalments more frequently than outlined in the above schedule should contact their regional office. Addresses and phone numbers of the regional offices can be found in the section "EHT Forms and Enquiries" on pages 17 and 18 of this guide.

DETAILS OF FILING REQUIREMENTS

ANNUALLY (Effective May, 1992)

- Employers who have a total Ontario payroll of \$200,000 or less are not required to make instalments during the current tax year.
- Payment of the EHT is required by March 15th of the following calendar year with the filing of the Annual Return.

For Example:

The EHT owed on a 1992 payroll (January 1, 1992 to December 31, 1992) must be paid with the filing of the 1992 Annual Return.

- If, at any time during the year, an employer's total reported payroll-to-date increases to more than \$200,000, the employer should immediately contact the nearest EHT Regional Office, as instalments will then be required.

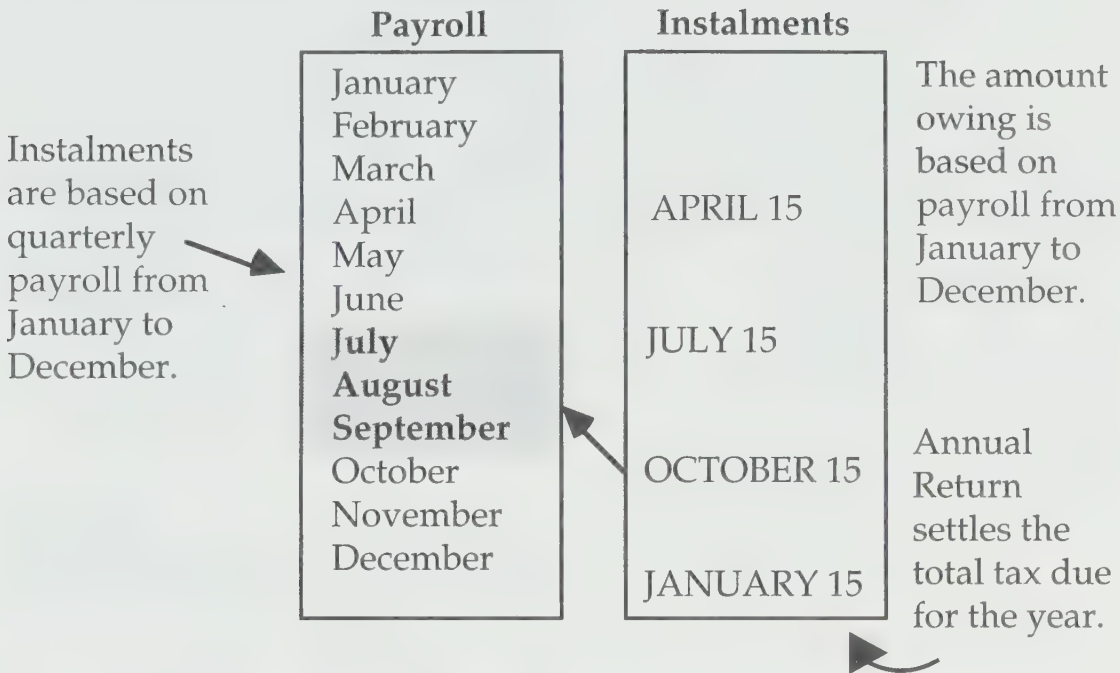
QUARTERLY

- Employers who have a total Ontario payroll of \$200,000.01 up to and including \$400,000.00, are required to file quarterly EHT instalments on the 15th of April, July, October and January. The instalment for the quarter is calculated using the payroll of that quarter.

For Example:

The quarterly instalment due on October 15th is for the period July 1st to September 30th, and is calculated using the payroll paid in July through to September.

This is shown in the chart below:



- If, at any time during the year, an employer's total reported payroll-to-date **increases to more than \$400,000**, the employer should immediately contact the nearest EHT Regional Office, as monthly instalments will then be required. In addition, an adjustment instalment is also required to change from the quarterly instalments (in arrears) to the monthly instalments (current or mid-month).

MONTHLY

- Employers who have a total annual Ontario payroll that is more than \$400,000 are required to make monthly EHT instalments on the 15th of each month. Each monthly instalment is calculated using the previous month's payroll.

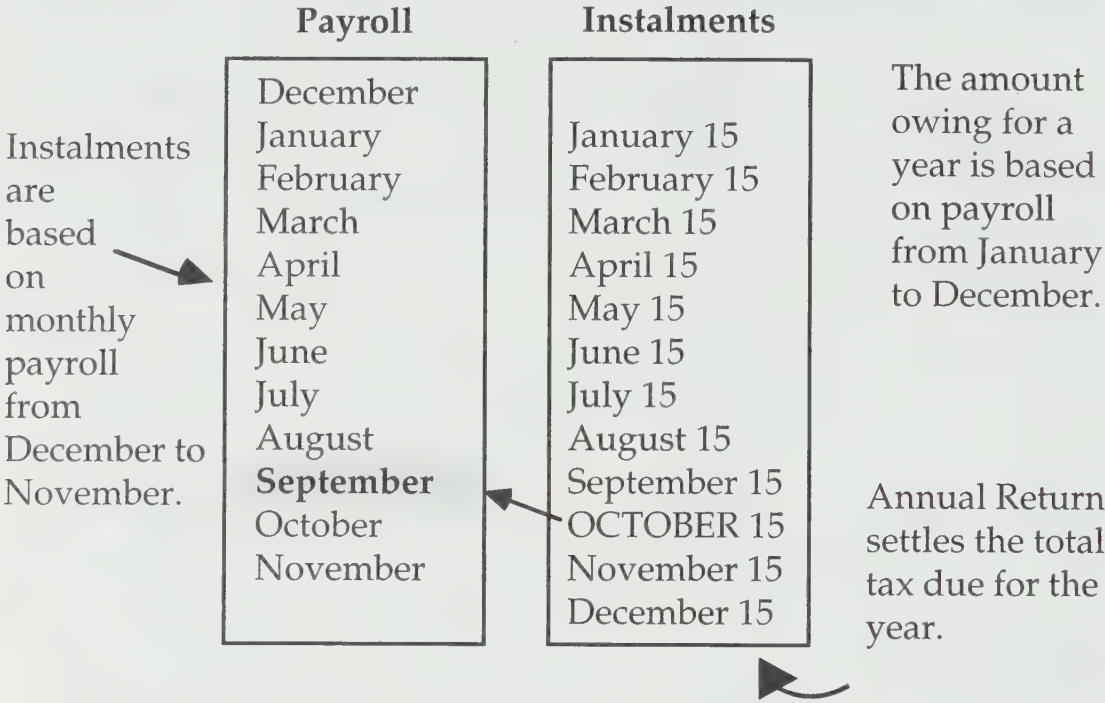
For Example:

The monthly instalment for October is due on October 15th and is calculated using the payroll paid in September.

Please Note:

- For employers making monthly payments, the amount owing for a year is based on payroll from **January 1st to December 31st**. However, the calculated instalments are based on payroll from **December of the previous year, to November of the current year**.

This is shown in the chart below:



- The Annual Return process ensures that an employer's instalment payments agree with the total yearly tax owing. Any taxes owing will be posted to the employer's account.
- If, at any time during the year, an employer's estimated annual payroll **decreases to \$400,000 or less**, the employer should immediately contact the nearest EHT Regional Office, as fewer instalments will then be required.

ONCE-A-YEAR (Effective May, 1992)

- Employers who make a payroll payment only in **one** month of the year are required to make a once-a-year EHT payment 15 days following the month in which the payment(s) was made, if the once-a-year payroll is more than \$200,000. In this instance, payment of the EHT should be made by filing a Special Return (see page 11).

For Example:

If the once-a-year payment occurs in the month of January, the EHT owed on this amount is due by February 15th.

- If the employer has a second payroll or payment in the same year, the employer should immediately contact the nearest EHT Regional Office, as quarterly or monthly instalments will then be required.

INSTALMENT STATEMENT

Prior to the instalment due date, employers receive an Instalment Statement. Payroll information should be filled in on the top portion and returned with the required payment. The bottom portion contains employer account information and should be kept by the employer.

If, for any reason, an Instalment Statement is not received, please follow the steps outlined in the “Payment Options” section of this guide, (see pages 11 and 12).

CALCULATING INSTALMENT AMOUNTS

All employers with an annual payroll of more than \$200,000 must determine their instalment tax rate by using the previous year’s annual payroll. Employers no longer have to multiply the previous month’s payroll by 12 (for employers filing monthly) or multiply the previous quarter’s payroll by 4 (for employers filing quarterly) to determine the tax rate.

After the end of each calendar year, employers should total their annual payroll and determine their annual tax rate. This annual tax rate is used to calculate the tax instalments due either monthly or quarterly for the current year.

For new employers in their first and second years, the estimated annual payroll for the current year should be used to determine their instalment tax rate.

Example of Calculation:

Steps	Total annual payroll paid in prior year is \$370,000.
A	Tax rate (from the tax rate table on page 4) is 1.708%
B	Previous quarter or month's payroll X 1.708% = Instalment Amount

Note for Multiple Accounts:

When making instalments, the rate based on the legal entity's previous year's payroll must be used. For new employers, their first and second year estimated annual payroll for the legal entity should be used to determine their current year's instalment tax rate.

FILING RETURNS

ANNUAL RETURN - Due March 15

An Annual Return must be filed by each employer following the end of each calendar year. The Annual Return ensures that an employer's total yearly tax due agrees with the instalment payments already made.

The Annual Return and any tax owing are due by March 15th following the calendar year. For example, the Annual Return covering 1992 is due by March 15, 1993.

The return must be signed by the employer or an authorized officer of the employer. When the head office is located outside Ontario, a manager or chief agent of the employer in Ontario may sign the return. A payroll service agency or accounting service is not authorized to sign the EHT Annual Return for the employer. Annual Returns are not accepted at banking institutions.

The amount of tax owed by an employer for a year equals the Total Ontario Remuneration multiplied by the applicable rate.

Example:

An employer has a total Ontario payroll of \$235,000 for the year. The tax rate is 1.223%.

To determine Total Tax Payable for the year, multiply the Total Ontario payroll by the Tax Rate. The result is the Total Tax Payable.

$\$235,000 \times 1.223\% = \$2,874.05 = \text{Total Tax Payable}$

Note for Multiple Accounts:

A separate Annual Return for each account must be filed. To calculate tax owing for each account, the rate based on the entire legal entity's payroll must be used. A legal entity may be a corporation, a sole proprietorship, a partnership, an association, or an individual. Separate Annual Returns will be mailed for each account early each year.

FINAL RETURN - Due 40 Days after Business Closure Date

Employers who no longer have a workplace or who no longer have employees in Ontario must advise the Ministry of Finance. An EHT Final Return must be filed within 40 days of the business closure date, for the part of the calendar year that payroll was reported. Final payment of any tax owing must be sent with the return.

SPECIAL RETURN - Due 15 Days Following the Month in which the Payroll or Payment Occurs

Employers who make all their payroll payments of more than \$200,000 in one month of a calendar year are required to file a Special Return. The return is due 15 days following the month in which the payment(s) was made. Employers may obtain the Special Return by calling one of the EHT Regional Offices listed in the "EHT Forms and Enquiries" section of the guide, (see pages 17 and 18).

PAYMENT OPTIONS

At a Banking Institution: Payment may be made free of charge, on or before the due date, at a banking institution in Ontario. Employers will need their Instalment Statement to make the payment. Annual and Special Returns are not accepted at banking institutions.

By Mail: The Instalment Statement and payment may be mailed in the envelope provided. This must be received by the Ministry on or before the due date to avoid any late-filing penalties.

In person: The payment and Instalment Statement may be delivered to any of the EHT Regional Offices or any of the Ministry of Finance Information Centres on or before the due date.

Instalment Statement Missing: If, for any reason, an employer does not receive the Instalment Statement in time to meet the due date, the employer can send a letter, with the payment, stating the following:

- account number
- the period covered
- the amount of total Ontario payroll, and
- the amount of tax due.

This letter and payment must be received by the Ministry on or before the due date.

PENALTIES AND INTEREST

An employer who does not send in an Instalment Statement or a return by the due date may be charged a penalty of 10 per cent of the tax unpaid, to a maximum of \$2,500.

An Instalment Statement is considered delivered on the date it is received by the Ministry of Finance, or on the date it is received by a banking institution in Ontario. A return is considered delivered on the date it is received by the Ministry of Finance. However, the Annual or Special Return is not accepted at banking institutions.

Any outstanding balance on the employer's account will be charged interest at the rate set by the Ministry.

Note:

Interest rates may change every three months at the beginning of January, April, July and October. Interest rate changes are published in The Ontario Gazette.

TAX ASSESSMENT

When the EHT Annual Return has been processed, employers are sent an “Annual Return Notice of Assessment and Statement of Account”. This notice confirms the information on the return and, combined with the statement, shows the account balance as of the statement date.

An overpayment of tax is automatically applied as a credit to the employer’s EHT account after the March 15th due date.

Any tax owing must be paid as soon as the assessment is received. The payment amount must include the tax plus any interest and penalties. No payment is needed if employers have a credit balance in their account covering the amount of the assessment. (See “Refunds and Overpayments” section below).

REFUNDS AND OVERPAYMENTS

After completing the Annual Return, an employer may claim a refund for an overpayment. This includes any interest on the overpayment from the due date of the Annual Return. The overpayment may also be applied to the balance of any tax owing by the employer under any other Act administered by the Ministry of Finance. In these cases, the employer will be informed by the Ministry.

Applications for refunds may be made up to four years from the day the return was due.

OUT-OF-PROVINCE EMPLOYER

An “out-of-province” employer is an employer who does not ordinarily have a workplace in Ontario, but will have one for a period not exceeding 24 months.

Before starting a workplace in Ontario, the out-of-province employer has to provide a guarantee to the Ministry for any tax that will be payable under the EHT Act. When the guarantee is received, the Ministry will send a certificate to the out-of-province employer. This certificate is proof that the out-of-province

employer has met the Ministry's requirements. The out-of-province employer should give a copy of the certificate to any person in Ontario (client, banking institution or other) who will be making a payment to the employer.

If any person makes a payment to the out-of-province employer without having asked for or received a copy of the certificate, the person is responsible for deducting 1.95% from the payment and for paying the deducted amount to the Ministry of Finance on behalf of the out-of-province employer.

KEEPING RECORDS

Employers paying the EHT must keep records and books of account at a workplace in Ontario. Employers may also keep records and books of account at any other place, if they receive the approval of the Minister to do so. The records should contain information confirming that the employer is following the EHT Act and related regulations.

DESTRUCTION OF BOOKS AND RECORDS

The Ministry of Finance has a Tax Information Bulletin titled, "Destruction of Books and Records". It is a general consent for the destruction of books and records kept for Ontario tax purposes. When all conditions are met, written permission is considered given to employers who want to destroy their records.

Copies of the "Destruction of Books and Records" Tax Information Bulletin are available by calling any Ministry of Finance office listed on pages 17 and 18 of this guide.

AUDIT OF EMPLOYER'S ACCOUNT

Auditors may carry out audits at the employer's place of business, to ensure that the EHT Act and related regulations are being followed.

Auditors have the right to:

- inspect premises and operations carried out at that location

- examine all books of account, documents, correspondence and records, including payroll, employment records, etc., that are or may be related to the audit, regardless of the form or medium the information is kept in
- question the employer or a representative of the employer on matters related to the audit, and
- test the accuracy of computer programs used to determine taxes that are owed.

OBJECTIONS AND APPEALS

Employers should contact the Ministry of Finance if they require an explanation or want to discuss their assessment.

NOTICE OF OBJECTION

Following this, if an employer is still dissatisfied with the assessment, a Notice of Objection may be filed with the Ministry's Tax Appeals Branch. The Notice of Objection must be returned to the Tax Appeals Branch within 180 days from the date the Notice of Assessment was mailed. The Minister of Finance will review the objection and notify the taxpayer of a decision, by registered mail.

Note:

Payment of an assessment must be made within the specified time, even if an objection is filed.

NOTICE OF APPEAL

The Minister's decision on the objection may be appealed to the Ontario Court (General Division). The Notice of Appeal must be received by the Minister (c/o Director, Tax Appeals Branch) and filed in the Ontario Court (General Division) within 90 days from the date that the Minister's decision was mailed to the employer.

Note:

Notice of Objection or Notice of Appeal forms are available from any Ministry of Finance Office. Refer to the EHT Forms and Enquiries section of this guide (see pages 17 and 18) for the addresses and phone numbers.

REBATES

Employers who entered into a “fixed price construction contract” before May 18, 1989, may be eligible for a rebate. For more information or to request rebate forms, please contact your EHT Regional Office.

CONFIDENTIAL INFORMATION

The EHT Branch is responsible for collecting and maintaining confidential employer information. When employers or their representatives make account-related enquiries, they will be required to identify themselves by providing the following information:

- the employer’s name, address and EHT account number, and
- their name, telephone number and position in the employer’s organization or whether they are representatives of the employer.

SELF-EMPLOYED INDIVIDUALS

Effective January 1st, 1993 **self-employed individuals who earn Ontario self-employment net income from a business, profession, commission, farming or fishing, as defined by the Income Tax Act (Canada), must pay the tax.** The first \$40,000 of the individual’s net self-employment income for a year is not taxable.

Registration of self-employed individuals will begin early in 1993. The first payment is due by **November 15th, 1993**, and the Annual Return payment by **May 15th, 1994**. Please contact the Employer Health Tax Branch for information about the EHT for self-employed individuals.

EHT FORMS AND ENQUIRIES

EHT forms are available at all EHT Regional Offices and other Ministry of Finance offices listed below. Employers with questions or needing forms may contact their EHT Regional Office:

The Brantford office serves employers in the following areas:

- Counties of Brant, Oxford, Bruce, Dufferin, Grey, Huron, Perth, Simcoe and Wellington
- Regional Municipalities of Haldimand-Norfolk, Hamilton-Wentworth, Niagara and Waterloo

Brantford	754-4849
213 King George Road	Toll-free English: 1-800-461-3806
Brantford N3R 6S8	Toll-free French: 1-800-461-1596
	Facsimile: (519) 758-2239

The Greater Toronto Area East office serves employers in the following areas:

- Counties of Victoria, Northumberland and Peterborough
- Regional Municipalities of Metropolitan Toronto (east of Yonge Street), York and Durham

Greater Toronto Area East	436-4561
33 King Street West	Toll-free English: 1-800-265-9005
Oshawa L1H 8H5	Toll-free French: 1-800-265-1193
	Facsimile: (905) 436-4474

The Greater Toronto Area West office serves employers in the following areas:

- Regional Municipalities of Peel, Halton and Metropolitan Toronto (west of Yonge Street)

Greater Toronto Area West	615-9911
Suite 230	Toll-free English: 1-800-265-9969
1650 Dundas Street East	Toll-free French: 1-800-265-0401
Mississauga L4X 2Z3	Facsimile: (905) 615-5860

The Ottawa office serves employers in the following areas:

- Counties of Frontenac, Grenville, Haliburton, Hastings, Leeds, Lanark, Lennox and Addington, Prescott and Russell, Renfrew, Stormont-Dundas and Glengarry, Prince Edward

- Districts of Muskoka, Nipissing and Parry Sound
- Regional Municipality of Ottawa-Carleton

Ottawa	739-3803
1800 Bank Street	Toll-free English: 1-800-461-4909
Ottawa K1V 0W3	Toll-free French: 1-800-461-0038
	Facsimile: (613) 739-3233

The Thunder Bay office serves employers in the following areas:

- Districts of Algoma, Cochrane, Manitoulin, Sudbury, Timiskaming, Kenora, Rainy River and Thunder Bay
- Regional Municipality of Sudbury

Thunder Bay	625-5840
Victoriaville Mall	Toll-free English: 1-800-465-6699
700 Victoria Avenue East	Toll-free French: 1-800-465-1085
Thunder Bay P7C 5P7	Facsimile: (807) 625-5848

The Windsor office serves employers in the following areas:

- Counties of Elgin, Essex, Kent, Lambton, Middlesex

Windsor	250-0066
215 Eugenie Street West	Toll-free English: 1-800-465-4021
Windsor N8X 2X7	Toll-free French: 1-800-465-7027
	Facsimile: (519) 972-2950

Employers requiring information on any Ministry of Finance program may call:

- | | |
|---|----------------|
| • All Other Areas | 1-800-263-7965 |
| • French Language Enquiries | 1-800-668-5821 |
| • Telecommunication Device for the Deaf (TDD) | 1-800-263-7776 |

or visit a Ministry of Finance Office in:

Oshawa	Windsor
33 King Street West	215 Eugenie Street West
Sudbury	
199 Larch Street	

Questions regarding health care coverage should be addressed to the Ministry of Health. Please refer to the blue pages of your telephone directory for the office nearest you.

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